

Consumer Alert

Indiana's Insurance "Safety Net"

The Indiana Life and Health Insurance Guaranty Association ("ILHIGA" or "guaranty fund") is a non-profit statutory entity created in 1978 when the Indiana legislature enacted the Indiana Life and Health Insurance Guaranty Association Act. ILHIGA is not a state agency nor is it funded by state tax dollars. ILHIGA is composed of most insurance companies licensed to sell life and health insurance and annuities in Indiana. In the event that a member insurer is found to be insolvent and is ordered liquidated by a court, ILHIGA provides limited protection to Indiana residents who are holders of life and health insurance policies and annuities issued by the insolvent member insurer.

Through these turbulent economic times, many Indiana residents have inquired about the limited protection ILHIGA provides. Just like the FDIC, guaranty funds have limits on coverage. Generally basic coverage limits in Indiana are:

- Life Insurance: \$300,000 in death benefit and \$100,000 in net cash surrender value per insured regardless of the number of policies you may have with the liquidated company.
- Health Insurance: \$300,000 in health insurance benefits per insured regardless of the number of policies you may have with the liquidated company.
- Annuity Contracts: \$100,000 in present value of the annuity benefits (including net cash surrender and withdrawal value) per annuitant regardless of the number of annuities you may have with the liquidated company.

Not all policies are covered: Recently ILHIGA has received many questions specific to annuity coverage. Generally ILHIGA covers only fixed annuities. It does not cover variable annuities other than the fixed portion, or that portion of the annuity where the company retains the risk. The portion of the variable annuity where the insured bears the risk is not covered by the guaranty association.

As stated, ILHIGA covers up to \$100,000 in present value annuity benefits. Any value in excess of \$100,000 is not covered by ILHIGA. If you have one annuity at one company and the value is \$500,000, ILHIGA will only cover \$100,000. If you have 5 annuities at one company and the total value all of the annuities is \$500,000, ILHIGA will only cover up to a total of \$100,000 for all 5 annuities in that company - not \$100,000 per annuity.

If you have 5 annuities at 5 different insurance companies, you have up to \$100,000 coverage per company in liquidation – the maximum ILHIGA would pay is \$500,000 for those 5 annuities in 5 unrelated companies, but only if all 5 companies were in liquidation.

Other functions of the Indiana Life and Health Insurance Guaranty Association include:

- ILHIGA does monitor the published financial ratings of insurance companies.
- ILHIGA is unable to provide Indiana insurance consumers with any company financial information other than to direct the consumer to the information found in the general press or from the various rating agencies.
- ILHIGA is unable to provide guidance or other information to consumers about whether or not a company is financially sound or whether or not they should do business with a particular company.
- ILHIGA is not responsible for determining whether or not a company is placed into liquidation. That is the responsibility of the Indiana Department of Insurance (“IDOI”) and can only be done through a court of law. ILHIGA works closely with the IDOI to ensure that if a company is determined to be insolvent and is placed in liquidation, it is able to pay covered claims as quickly as possible for Indiana consumers.
- Indiana insurance consumers should not base their insurance needs and decisions on the existence of ILHIGA. In fact, insurance companies and agents are prohibited from using ILHIGA as a means to sell insurance. You should always exercise prudence in selecting a financially sound and well-managed insurance company.

More detailed information about the Indiana Life and Health Insurance Guaranty Association may be obtained by visiting its website at www.inlifega.org or by calling (317) 636-8204.